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ECONOMIC DEVELOPMENT

- CREDIT MARKETS, CREDITORS RIGHTS AND ECONOMIC DEVELOPMENT.

Kenneth W. Dam.
The Brookings Institution. February 2006.

According to the author, a law professor and Brookings Institution fellow, credit markets are just as important as equity markets to financial development. In most countries, far more finance is generated in credit markets than in public equity markets. He notes that even in the United States, which is usually thought of as the country with the most pronounced equity culture, far more money is raised in credit markets than in equity markets. Because banks play such a central role in the developing-world economies, the author says it is important to look at the special role of banks in those countries. The focus of his working paper is banks and the special problems that creditors -- not just banks but all creditors -- face when the borrower cannot pay or fails to pay. He examines the legal issues germane to creditors' rights and bankruptcy law.
http://www.brookings.edu/views/papers/200602dam.pdf [pdf format, 36 pages]

INTELLECTUAL PROPERTY RIGHTS

- EXPANDING THE FRONTIERS OF OUR DIGITAL FUTURE: REDUCING SOFTWARE PIRACY TO ACCELERATE GLOBAL IT BENEFITS.

Business Software Alliance. December 2005.

This paper is based upon findings from an analysis (conducted by IDC) of the Information Technology (IT) sector's economic impact in 70 countries, and the benefits that can accrue to countries that reduce software piracy. It finds that the IT sector's ability to create economic benefits can not only continue, but accelerate. However, the continued growth, vitality and innovation of the global IT sector are increasingly

dependent upon reducing software piracy worldwide. The paper discusses five key findings:
* Lower software piracy produces higher IT benefits.
* Cutting software piracy globally can generate faster IT growth.
* Faster IT growth can increase global economic output.
* Countries with the highest piracy rates have the most to gain through reductions.
* Every region benefits.
http://www.bsa.org/idcstudy/pdfs/White_Paper.pdf [pdf format, 32 pages]

TRADE

- THE DOHA ROUND AFTER HONG KONG.

Gary Clyde Hufbauer and Jeffrey J. Schott.
Institute for International Economics (IIE). February 2006.

The IIE Senior Fellows assess the outcome of the December 2005 World Trade Organization ministerial meeting in Hong Kong. They contend that the ministers accomplished only the minimum necessary to keep the Doha Round moving forward -- toward an undetermined and probably distant conclusion. In their view, the meeting achieved more in spirit than in substance, and placed more emphasis on the negotiating process than on policy reform. Moreover, much of the 40-plus-page ministerial declaration confirms policies already being pursued by the major trading nations.
Questions they address about the Doha Round's future include:
* How do negotiations look from the perspective of key players?
* What events are likely to drive negotiators in 2006?
* What are the wildcards?
http://www.iie.com/publications/pb/pb06-2.pdf [pdf format, 9 pages]

- TRADING ON TIME

Simeon Djankov, Caroline Freund, Cong S. Pham
World Bank. January 2006

"We determine how time delays affect international trade, using newly-collected World Bank data on the days it takes to move standard cargo from the factory gate to the ship in 126 countries. We estimate a modified gravity equation, controlling for endogeneity and remoteness. On average, each additional day that a product is delayed prior to being shipped reduces trade by at least 1 percent. Put differently, each day isequivalent to a country distancing itself from its trade partners by 85 km on average. Delays have an even greater impact on developing country exports and exports of timesensitive goods, such as perishable agricultural products. In particular, a day's delay reduces a country's relative exports of time-sensitive to time-insensitive agricultural goods by 7 percent."
http://www.doingbusiness.org/documents/trading_on_time_full_report.pdf pdf format, 37 pages

U.S. ECONOMY

- 2006 ECONOMIC REPORT OF THE PRESIDENT

Council of Economic Advisors. February 2006

"The Economic Report of the President is an annual report written by the Chairman of the Council of Economic Advisors. It is an overview of the nation's economic progress using text and extensive data appendices. The Economic Report of the President is transmitted to Congress no later than ten days after the submission of the Budget of the United States Government. Supplementary reports can be issued to the Congress containing additional and/or revised recommendations."
http://www.gpoaccess.gov/eop/index.html [search function available]
http://a257.g.akamaitech.net/7/257/2422/13feb20061330/www.gpoaccess.gov/eop/2006/2006_erp.pdf [pdf format, 401 page]

- ENERGY PRICES AND THE ECONOMY.

Joint Economic Committee. United States Congress. January 2006.

This paper explores why today's U.S. economy is less vulnerable to energy price increases, compared to its performance during previous "oil shock" episodes in the 1970s and 1980s. The following factors are considered:
* The U.S. economy is now more energy efficient.
* The U.S. economy is now less energy intensive as the service sector has grown.
* The share of the household budget devoted to energy expenditures has fallen.
* Oil and gas prices after adjustment for inflation remain below historical highs.

The paper's first section focuses on how higher energy prices might affect production - or the supply side of the economy. The second section looks at the expected effects of higher petroleum and natural gas prices on consumer spending - including consumers' automobile purchases. The third section reviews how economic models forecast the effect of high oil prices on economic growth, and why those attempting to make use of the forecasts need to be wary. The fourth section discusses the effect of the 2005 hurricanes on energy prices. The underlying causes of the high oil prices are analyzed in the final section.
http://www.house.gov/jec/publications/109/energy01-26-06.pdf [pdf format, 20 pages]

- SMALL BUSINESS ADMINISTRATION: A PRIMER ON PROGRAMS

N. Eric Weiss
CRS Report for Congress. January 20, 2006

The Small Business Administration (SBA) was created to aid small businesses because they are viewed as important sources of job creation and economic growth, but are typically disadvantaged in competing against large firms. Many minorityowned small businesses are even more disadvantaged, and they can apply to join programs that provide limited competition contracts and technical assistance to help them to grow and gain experience to compete successfully against larger businesses. The SBA has many programs that affect every state and congressional district. The disaster loan programs are the subject of frequent congressional and media attention because of complaints about slow processing of loan applications. The SBA does not view these programs as

immediate assistance, but the public frequently is looking for a rapid response. Most Members of Congress receive many constituent inquiries about SBA loans, the loan guarantee programs, and special contracting programs. Except for disaster loans, the SBA does not directly make loans to businesses. Instead it provides guarantees for private business loans that lenders would not otherwise be willing to make under desirable terms such as maturity and interest rate. The SBA also provides funding to selected financial intermediaries that invest in and otherwise support small businesses. The SBA reviews loan and guarantee applications to assure that there is a reasonable probability that a loan will be repaid. In the event of default on a loan, the SBA uses all available avenues to obtain repayment, including seizing income tax refunds. This report summarizes the major SBA programs. It will be updated if new programs are added or existing programs phased out.
http://opencrs.cdt.org/rpts/RL33243_20060120.pdf [pdf format, 21 pages]

- 2005 REPORT ON SOCIALLY RESPONSIBLE INVESTING TRENDS IN THE UNITED STATES

Social Investment Forum. January 2006

"Socially responsible investment (SRI) assets grew faster than the entire universe of managed assets in the United States during the last 10 years, according to the Social Investment Forum's fifth biennial report on SRI trends. Total socially responsible investment assets rose more than 258 percent from $639 billion in 1995 to $2.29 trillion in 2005, while the broader universe of assets under professional management increased less than 249 percent from $7 trillion to $24.4 trillion over the same period."
Ten-Year Trends
Over the past decade, SRI has become a force within the US financial marketplace.
* Socially and environmentally screened mutual funds have experienced substantial growth in the number and diversity of products and screens offered.
* Mainstream money managers are increasingly incorporating social and environmental factors into their investing.
* A growing number of institutional investors are active owners of the companies in their portfolios, and support for the growing numbers of shareholder resolutions filed on social,environmental, and corporate-governance issues rose dramatically over the last tenyears. Shareholder advocacy, whether through the proxy process or in direct dialoguewith companies, produced tangible changes in corporate policies and practices.
* Community investing is experiencing signifi cant growth in assets, helping to increase the economic opportunities for lower-income communities and spurring industry developments that are making it easier for a broad range of investors to participate in this expanding field.
* The globalization of socially and environmentally responsible investing continues to advance through a diversity of developments in different regions around the world, from the largest SRI markets in Canada, Europe, Australia and Japan to the more sophisticated emerging markets of Latin America, South Africa and the Asia Pacific region.
http://www.socialinvest.org/areas/research/trends/sri_trends_report_2005.pdf [pdf format, 74 pages]

- ECONOMIC AMNESIA: THE CASE AGAINST OIL PRICE CONTROLS AND WINDFALL PROFIT TAXES.

Jerry Taylor and Peter Van Doren
Cato Institute. January 12, 2006

The authors, CATO Institute senior fellows, discuss the economic impact of oil price controls and windfall profit taxes, and dispute their effectiveness. The recent rise in U.S. gasoline prices, they write, has led many observers to call for government price controls and special taxes on oil companies. Yet policies that restrain prices result in less supply and conservation. Additional taxes reduce the incentive to invest in new supply. Moreover, because price controls and profit taxes can be levied only by the U.S. government on U.S.-based companies, such policies also increase the economic attractiveness of foreign, relative to domestic, oil. The U.S. experience with price controls from 1971 to 1980, and the Crude Oil Windfall Profit Tax from 1980 to 1988 demonstrates the problems. The authors contend that there is no evidence to suggest that recently reported oil company profits are particularly large when contrasted with the profit margins of all public companies. Profits in the oil sector have historically been lower than profits in the rest of the U.S. economy, so profits would have to be quite large for some time before they equaled returns in other sectors of the economy. Restricting profit opportunities now would amount to a form of one-way capitalism in which meager profits are allowed but more robust profits are punished. Intervention under those conditions, they conclude, would certainly reduce the incentive to invest in the oil business.
http://www.cato.org/pubs/pas/pa561.pdf [pdf format, 20 pages]

- THE POLITICS AND ECONOMICS OF OFFSHORE OUTSOURCING.

N. Gregory Mankiw and Phillip Swagel
American Enterprise Institute for Public Policy Research. December 7, 2005.

Mankiw and Swagel, the former Council of Economic Advisors chairman and chief of staff, respectively, analyze the contentious issue of offshore outsourcing. The first part of their working paper documents how popular concern about outsourcing increased during 2003 and accelerated as the U.S. 2004 presidential election approached. The second part surveys the empirical literature on offshore outsourcing, with an emphasis on outsourcing of business services. They note that work to quantify the impact of increased trade in services on domestic labor markets has lagged behind popular interest -- in no small part because existing data sources make it difficult to identify job changes related to trade in business services. Specifically, gaps in the available data make it difficult to say how many jobs are being outsourced and why. The empirical literature is able, however, to conclude that offshore outsourcing is unlikely to have accounted for a meaningful part of the job losses in the recent downturn, or contributed much to the slow labor market rebound. The authors observe that "the message from economists that international trade in services is nothing new and likely to be beneficial is enormously frustrating to non-economists, especially politicians." To help bridge this communications gap, they examine the differing ways in which economists and non-economists talk about offshoring, focusing on ways in which economists can communicate more effectively to policymakers and the broader public.
http://www.aei.org/publications/pubID.23536/pub_detail.asp [pdf format, 49 pages]

- ANNUAL ENERGY OUTLOOK 2006 WITH PROJECTIONS TO 2030

"The Annual Energy Outlook 2006 presents a forecast and analysis of US energy supply, demand, and prices through 2030. The projections are based on results from the Energy Information Administration's National Energy Modeling System. The AEO2006 includes the reference case, additional cases examining energy markets, and complete documentation."
http://www.eia.doe.gov/oiaf/aeo/index.html [Download in sections -- PDFs; tables in Excel format]

LATIN AMERICA

- A NEW ERA AT THE INTER-AMERICAN DEVELOPMENT BANK: SIX RECOMMENDATIONS FOR THE NEW PRESIDENT.

The Latin American Shadow Financial Regulatory Committee and The Center For Global Development. January 2006.

In the authors' view, the selection of a new president, Luis Alberto Moreno, to lead the Inter-American Development Bank (IDB) presents an opportunity for this institution to reassess its role and reshape its products and services to better address current challenges. They contend that the market for the IDB's services has changed dramatically as rapid growth in private capital flows has made IDB's financial resources less important. In addition, political leaders are increasingly articulating their own vision on how to bring about inclusive growth in Latin America and the Caribbean, thereby reducing their need for advice from Washington. By the same token, the authors note that this region is struggling with some complex economic problems that cannot adequately be addressed by individual nations or regional groupings, such as the Organization of American States. Thus, they regard IDB's mission of promoting inclusive growth as an asset for the region. The report lays out key challenges facing the IDB, explains how the institution is uniquely poised to address them, and offers six recommendations for the new president to consider as he launches what can, and should, be a new era at the IDB.
http://www.cgdev.org/content/publications/detail/5818 [pdf format, 23 pages]

- POVERTY REDUCTION AND GROWTH: VIRTUOUS AND VICIOUS CIRCLES.

Guillermo E. Perry, et al.
World Bank, Latin American and Caribbean Studies. Web-posted February 2006.

The annual flagship report by the World Bank's Latin American and Caribbean Studies division takes a fresh look at how growth and poverty are interlinked, and makes new recommendations on how to boost growth and reduce poverty at the same time. The report revisits how growth can reduce poverty and how much emphasis should be placed on growth relative to distribution, given a country's income and inequality levels. A central theme of the report is that investments in the poor are good business for society as a whole. Poverty itself hampers the achievement of high and sustained growth rates, completing a variety of vicious circles.For instance, poor students, faced with substandard schools and volatile returns to their human capital, underinvest in education.Poor entrepreneurs, excluded from capital markets, underinvest in good projects. Poor regions, lacking infrastructure, fail to attract investment, and have fewer

citizens able to adopt, manage, and generate new technologies. Poor countries, unable to moderate income disparities, find ethnic or racial tensions exacerbated that, in turn, thwart the establishment of a healthy business climate.To move to a virtuous circle of growth and poverty reduction will take action on many poverty fronts and an approach that not only considers how the poor can benefit from growth, but also how they can contribute to it.Key among these is investment in human capital. The report emphasizes that an integrated strategy, taking into account barriers to getting education and the entire lifecycle of students, is essential. The report's findings are grounded in detailed analysis and examples, and are intended to provide additional insights to policy makers and development practitioners in the different countries of the region.
http://siteresources.worldbank.org/EXTLACOFFICEOFCE/Resources/870892-1139877599088/virtuous_circles1_complete.pdf [pdf format, 238 pages]